

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

RAB LIGHTING INC.,)
)
Plaintiff,)
) C.A. No. 20-1574-RGA
v.)
)
IDEAL INDUSTRIES LIGHTING LLC,)
d/b/a CREE LIGHTING, and)
E-CONOLIGHT LLC,)
)
Defendants.)

J. Caleb Boggs Courthouse
844 North King Street
Wilmington, Delaware

Thursday, October 14, 2021
9:04 a.m.
Oral Argument

BEFORE: THE HONORABLE RICHARD G. ANDREWS, U.S.D.C.J.

APPEARANCES:

POLSINELLI PC
BY: STEPHEN J. KRAFTSCHIK, ESQUIRE

-and-

SILLS CUMMIS & GROSS P.C.
BY: SCOTT D. SIMPSON, ESQUIRE

For the Plaintiff

1 APPEARANCES CONTINUED:

2 MORRIS NICHOLS ARSHT & TUNNELL LLP
3 BY: RODGER D. SMITH, II, ESQUIRE
4 BY: LUCINDA C. CUCUZZELLA, ESQUIRE

5 For the Defendants

09:04:14 6 *** PROCEEDINGS ***

09:04:14 7 DEPUTY CLERK: All rise. Court is now in
09:04:15 8 session. The Honorable Richard G. Andrews presiding.

09:04:22 9 THE COURT: Good morning. Please be seated. If
09:04:27 10 you're fully vaccinated, you can take your mask off.

09:04:34 11 So this is *RAB Lighting vs. Ideal Industries*
09:04:40 12 *Lighting*, doing business as Cree, Civil Action Number
09:04:45 13 20-1574, the Defendant's motion to stay pending the outcome
09:04:50 14 of IPR.

09:04:53 15 Mr. Smith, you represent the Defendant; right?

09:04:55 16 MR. SMITH: I do, Your Honor. Good morning.
09:04:56 17 I'm hear with my colleague, Cindy Cucuzzella from Morris
09:05:00 18 Nichols.

09:05:00 19 THE COURT: Oh, okay. All right.

09:05:02 20 And Mr. Kraftschik.

09:05:04 21 MR. KRAFTSCHIK: Yes.

09:05:04 22 THE COURT: How are you? I haven't seen you in
09:05:06 23 a while.

09:05:06 24 MR. KRAFTSCHIK: Good morning, Your Honor.
09:05:08 25 Stephen Kraftschik at Polsinelli for Plaintiff, RAB

09:05:11 1 Lighting. With me is Scott Simpson of Sills Cummis.

09:05:13 2 THE COURT: Who?

09:05:14 3 MR. KRAFTSCHIK: Sills Cummis in New York.

09:05:17 4 S-I-L-L-S --

09:05:17 5 THE COURT: No, no, I'm writing out his name,

09:05:25 6 not --

09:05:25 7 MR. SIMPSON: Sorry, Your Honor. Simpson,

09:05:26 8 S-I-M-P --

09:05:26 9 THE COURT: No, I got it. I just -- all right.

09:05:31 10 Mr. Smith, are you doing this?

09:05:33 11 MR. SMITH: I am, Your Honor.

09:05:34 12 THE COURT: All right. So I can pick off the

09:05:37 13 easy ones?

09:05:39 14 MR. SMITH: I hope so. Your Honor, I don't have

09:05:41 15 a whole lot to add to what's in the brief. I would submit

09:05:45 16 that this is a pretty straightforward stay motion. It is

09:05:48 17 sort of a textbook example, I think, of what the AIA was

09:05:51 18 meant to accomplish.

09:05:52 19 Our client, Cree Lighting, filed its IPR

09:05:56 20 petition within four months of the case being filed here.

09:05:59 21 Three months later, 30, roughly 30 of the 40 claims were

09:06:03 22 disclaimed by Plaintiff, so those have gone away. There's

09:06:06 23 been simplification already there.

09:06:08 24 And then just three weeks ago, coincidentally,

09:06:11 25 at the time we filed our reply brief, the two IPRs were

09:06:15 1 instituted as to all grounds as to the remaining claims. So
09:06:19 2 it's a textbook example of what's meant to happen, that the
09:06:23 3 PTAB is supposed to take up these motions, and the Court
09:06:26 4 has, in its discretion, the ability to stay to allow the
09:06:29 5 PTAB to exercise its expertise.

09:06:31 6 THE COURT: So, one of the things that you said
09:06:32 7 in your briefing was the design patent is a -- you didn't
09:06:38 8 use this word, but it was the thrust of what you said, a
09:06:42 9 trivial part of the case. Can you just explain to me that
09:06:46 10 point?

09:06:47 11 MR. SMITH: Your Honor, in terms of sales
09:06:49 12 volume, it's only three percent of the overall accused sales
09:06:53 13 volume here.

09:06:55 14 THE COURT: Because the accused products that
09:06:59 15 are accused of infringing that are a small subset of the
09:07:02 16 overall accused products?

09:07:04 17 MR. SMITH: Correct. They are -- the products
09:07:06 18 accused of infringing the design patent are separate and
09:07:09 19 apart, they're different products from the ones that are
09:07:11 20 accused of infringing the utility patents. They're two
09:07:14 21 different sets of products.

09:07:15 22 THE COURT: Okay.

09:07:15 23 MR. SMITH: The design patent only has two, I
09:07:18 24 believe, products accused of infringing there, and they are
09:07:21 25 only three percent of the overall annual sales of all the

09:07:25 1 fixtures accused of infringing all three patents.

09:07:27 2 THE COURT: And since it's the case that you can
09:07:29 3 tell me there was only three percent of the overall annual
09:07:32 4 sales, can you give me an idea of what kind of dollar volume
09:07:35 5 that is?

09:07:36 6 MR. SMITH: It's half a million dollars or a
09:07:38 7 little bit more. It's in that sort of range on an annual
09:07:41 8 basis for sales.

09:07:44 9 THE COURT: So is there much overlap between the
09:08:02 10 design patent and the other two patents in terms of what the
09:08:08 11 litigation would involve?

09:08:09 12 MR. SMITH: There would be some, but your
09:08:13 13 instincts are right, Your Honor. The patents are distinct.
09:08:15 14 There's a different patent family, if you want to call that,
09:08:18 15 different products, but it's a small part of the case. I
09:08:21 16 don't know. I mean, I don't know if RAB would have sued us
09:08:25 17 just on that one patent, for example. I think they made a
09:08:27 18 decision to add it here and assert all three patents in the
09:08:29 19 same case.

09:08:30 20 And so we think that the simplification, the
09:08:32 21 savings to the Court from staying 97 percent of the case, if
09:08:36 22 you will, sort of answers the question of whether
09:08:39 23 simplification would happen here. Certainly, in terms of
09:08:42 24 the stage of litigation, we're six months away from close of
09:08:45 25 fact discovery. We're almost a year and a half, 17 months

09:08:47 1 away from trial. So we'll actually have final written
09:08:50 2 decisions here in September of next year, six months before
09:08:53 3 the trial is even currently scheduled.

09:08:57 4 And there's still a lot of savings in terms of
09:08:59 5 effort here. Tomorrow, we're exchanging claim construction
09:09:02 6 positions, and we don't have a Markman hearing until
09:09:04 7 February. So there's a lot of work still to be done.

09:09:06 8 I know RAB has talked about what's been done
09:09:09 9 already, but there's still a lot to be done here for the
09:09:12 10 Court and the parties to get the case ready.

09:09:14 11 THE COURT: Well, so I don't really remember
09:09:17 12 what was said in the briefs, but just from looking at the
09:09:22 13 docket, it appears there have been preliminary disclosures
09:09:25 14 and there has been some requests for production of
09:09:28 15 documents. I mean, that's where we are in this stage of the
09:09:32 16 case; right?

09:09:33 17 MR. SMITH: Correct, Your Honor. There's been
09:09:34 18 sort of paper discovery. No depositions yet. In terms of
09:09:37 19 framing the issues, just over the summer I think we pointed
09:09:40 20 out in our briefing, in July, there was still placeholders
09:09:43 21 as to what the accused products were going to be. I think
09:09:46 22 in the last, say, three weeks, maybe four weeks, we've
09:09:47 23 gotten updated infringement contentions. But only in that
09:09:50 24 recent period, three to four weeks, have we gotten
09:09:53 25 additional products, and it was only this week.

09:09:55 1 I mean, there was some motion practice around
09:09:57 2 them amending the Complaint. That has only been entered
09:09:59 3 recently and that they now assert new patents in the Amended
09:09:59 4 Complaint.

09:10:04 5 The two original representative claims that were
09:10:07 6 in the original claim from last November, those were two of
09:10:10 7 the ones that were disclaimed in the 30 of the 40.

09:10:12 8 THE COURT: So are they asserting new patents or
09:10:15 9 just new claims?

09:10:16 10 MR. SMITH: New claims. Thirty of the patents --
09:10:18 11 30 of the claims have been disclaimed. Roughly ten are
09:10:20 12 still in play. Three are asserted, but those three were
09:10:23 13 never even mentioned in the initial Complaint. So --

09:10:25 14 THE COURT: Well, you know, I wouldn't
09:10:28 15 necessarily put too much weight on that because they don't
09:10:31 16 really have to be; right?

09:10:33 17 MR. SMITH: Fair enough, Your Honor. The point
09:10:34 18 is just that the case is still being framed out as to what's
09:10:37 19 at issue. There's new products coming in. The claims are
09:10:40 20 being changed in and out. And so, regardless of how much
09:10:43 21 paper discovery has been taken, it's still very much influx
09:10:47 22 and not yet final.

09:10:48 23 THE COURT: But, in your view, because I granted
09:10:52 24 the Second Amended Complaint, because when I was, I guess,
09:10:55 25 looking at the briefing on this, I noticed that motion, and

09:10:59 1 I read enough to see that I thought I should grant that.
09:11:04 2 But that doesn't really change anything as far as you're
09:11:08 3 concerned in terms of -- I guess, if anything, you'd say
09:11:14 4 that actually helps you because it --

09:11:17 5 MR. SMITH: It points out that the case is still
09:11:19 6 very much in an elementary, primary stage and hasn't
09:11:23 7 advanced, that the asserted claims are being updated, and
09:11:25 8 other things are being added. There's a willfulness
09:11:29 9 allegation that is now part of the case.

09:11:32 10 THE COURT: And I should remember this, but I
09:11:34 11 didn't focus on it. What is RAB Lighting's status vis-a-vis
09:11:44 12 your client? Are they competitors?

09:11:47 13 MR. SMITH: Your Honor, there was some debate in
09:11:49 14 the --

09:11:49 15 THE COURT: Oh, right, right.

09:11:51 16 MR. SMITH: -- back and forth as to how --

09:11:52 17 THE COURT: You were arguing about whether or
09:11:54 18 not you were competitors.

09:11:55 19 MR. SMITH: Well --

09:11:55 20 THE COURT: I was thinking that that should
09:11:57 21 actually be a fairly -- you would think there wouldn't be
09:12:01 22 too much argument over that.

09:12:02 23 MR. SMITH: So a couple points on the
09:12:06 24 competition point. One, it's certainly not a two-player
09:12:07 25 market. It's a multi-player market. It's Lighting

09:12:11 1 Fixtures, OSRAM, Acuity. There's plenty of other players
09:12:13 2 here.

09:12:13 3 We can debate what their CEO said at the ITC. I
09:12:17 4 think there's no debate that what he said is our customers
09:12:20 5 are different. The way they go to market is different than
09:12:22 6 the way we go to market, so there's no competition at the
09:12:26 7 customer level. The products might compete, but the
09:12:28 8 customer level.

09:12:29 9 So in terms of prejudice, it's typically erosion
09:12:32 10 of market share or erosion of goodwill that affect the
09:12:35 11 prejudice. When they're different customer bases, I think
09:12:38 12 that that lack of prejudice sort of falls away or any
09:12:42 13 potential prejudice falls away. There's really no prejudice
09:12:45 14 here.

09:12:45 15 And in terms of any tactical advantage we've
09:12:48 16 gotten, I don't know how we could have operated any more
09:12:50 17 quickly. Filing the IPRs within four months, filing the
09:12:53 18 motion to stay. So it was coincidentally, but so that the
09:12:57 19 briefing was done the same day the IPRs were instituted.

09:13:00 20 So in terms of tactical advantage to us, we've
09:13:03 21 operated with no dilatory motive here. There are numerous
09:13:06 22 competitors in the market. There's an admission, to some
09:13:09 23 extent, that we don't compete as to customers. And there's
09:13:12 24 been no PI motion, so the urgency here just doesn't seem to
09:13:16 25 be anything that would prevent a stay from being granted.

09:13:20 1 So unless Your Honor has any other questions,
09:13:21 2 that's all I have.

09:13:22 3 THE COURT: No, No. Thank you, Mr. Smith. I'll
09:13:25 4 give you a chance, if we discuss something else, to reply.

09:13:29 5 Mr. Simpson.

09:13:30 6 MR. SIMPSON: Thank you, Your Honor. May it
09:13:33 7 please the Court. This is highly discretionary, this issue
09:13:37 8 in court. And there are the three issues that the courts
09:13:40 9 typically look at, and I'll address them here today.

09:13:42 10 One is whether there's going to be prejudice to
09:13:44 11 RAB if a stay is entered. And another important issue is
09:13:47 12 whether it's going to be meaningful simplification if
09:13:50 13 there's a stay.

09:13:51 14 And then the third issue, which Mr. Rogers (sic)
09:13:54 15 testified briefly is where we are in the case. I won't
09:13:57 16 spend a lot of time on that last point, but I do believe
09:14:01 17 that the issues are framed here now. Mr. Rogers is correct
09:14:04 18 that the infringement contentions are not set in stone, but
09:14:08 19 there's only a few products that we still have to look at.

09:14:11 20 And the only reason they're not in the case is
09:14:13 21 because we haven't received the products from them yet. I
09:14:16 22 can't see them, so I can't decide whether or not they're
09:14:18 23 infringing or not.

09:14:19 24 But we're more than halfway through the fact
09:14:22 25 discovery phase. We've invested a lot in this case already,

09:14:25 1 and I think the stage of the litigation, at least partially,
09:14:30 2 supports denial of the stay.

09:14:31 3 So this is Cree's burden --

09:14:35 4 THE COURT: But under your theory, the stage of
09:14:38 5 the litigation would always support denial because, as
09:14:43 6 Mr. Smith said, they moved about as promptly as you can on
09:14:46 7 this, didn't they?

09:14:47 8 MR. SIMPSON: Well, yeah. I have no quarrel
09:14:49 9 with the fact that it took them some time to get these IPRs
09:14:52 10 filed. I have no quarrel with the timing of that. But, you
09:14:55 11 know, frequently when you're looking at very early stages of
09:14:58 12 litigation, people know these cases are coming, and they
09:15:01 13 file the IPRs, either before the litigation is filed or --

09:15:03 14 THE COURT: Did they know this one was coming?

09:15:05 15 MR. SIMPSON: No, I think that they knew
09:15:07 16 litigation was coming, but I don't think that they knew the
09:15:11 17 patents at the time.

09:15:12 18 THE COURT: Well, so that would sort of
09:15:14 19 prevent --

09:15:15 20 MR. SIMPSON: Yeah, I understand. As I say, I
09:15:16 21 have no quarrel with them about the four months it took them
09:15:19 22 to file this, because there were 40 claims, and that took
09:15:23 23 time. But, nevertheless, here we are in this litigation.
09:15:26 24 We're halfway through the fact discovery phase. We've spent
09:15:29 25 a lot. We've invested a lot in this case, and it's

09:15:31 1 important for us not to have it stopped underneath us here.

09:15:35 2 So it's Cree's burden to prove to you, Your
09:15:39 3 Honor, that a stay makes sense here. We don't think that
09:15:41 4 they've met that burden.

09:15:43 5 We have three patents in this case. Two of them
09:15:46 6 are IPRs. Mr. Rogers is right, probably September 2022 --

09:15:51 7 THE COURT: And excuse me. Off the record.

09:15:51 8 (Whereupon a discussion was held off the
09:16:01 9 stenographic record.)

09:16:01 10 THE COURT: All right. So let's go back on the
09:16:02 11 record.

09:16:03 12 MR. SIMPSON: I apologize. Thank you.

09:16:06 13 So Mr. Smith is correct that these IPR
09:16:11 14 decisions, the final decision should come September 2022,
09:16:16 15 which is six months before our scheduled trial date,
09:16:19 16 assuming no slippage. The '202 is not in the case, Your
09:16:22 17 Honor, and I'd like to, if I may --

09:16:23 18 THE COURT: I'm sorry, the what is not in the
09:16:25 19 case?

09:16:26 20 MR. SIMPSON: The '202 design patent. It's not
09:16:28 21 in the IPR.

09:16:28 22 THE COURT: Okay. All right. All right.

09:16:30 23 MR. SIMPSON: It's not in the --

09:16:31 24 THE COURT: Yeah, sorry. I don't know these
09:16:32 25 patents by their numbers.

09:16:33 1 MR. SIMPSON: No, that's okay. It's a design
09:16:36 2 patent.

09:16:36 3 THE COURT: But, yeah, if you call it the design
09:16:38 4 patent, then I know what you're talking about.

09:16:39 5 MR. SIMPSON: Okay. Thank you.

09:16:40 6 So I'd like to address that first, if I may. I
09:16:42 7 mean, I understand and I don't have any dispute with their
09:16:44 8 facts, but I dispute their conclusion from the facts related
09:16:49 9 to the sales of that design patent.

09:16:51 10 Now, it's true that the accused products are a
09:16:55 11 small percentage of the overall sales in this case, but this
09:16:59 12 is not a mathematical analysis. And there's still
09:17:03 13 substantial sales, and the reason that they're a small
09:17:05 14 percentage is because some of the other products are very,
09:17:08 15 very big sellers.

09:17:09 16 And that design patent, Your Honor, it's
09:17:12 17 important, because it serves a purpose for RAB. And the
09:17:16 18 purpose it serves is it protects the line of products for
09:17:19 19 RAB. It's a design patent. It's basically a bullet-shaped
09:17:23 20 LED. And Cree is now selling bullet-shaped LEDs. And if
09:17:29 21 this design patent gets caught up in the stay, then we may
09:17:33 22 have to live without being able to address those products
09:17:39 23 that are look-alike products for what could be years.

09:17:43 24 THE COURT: So if you didn't have the two
09:17:45 25 utility patents, would you have filed a suit on the design

09:17:48 1 patent by itself?

09:17:50 2 MR. SIMPSON: I don't know, Your Honor. I
09:17:52 3 really don't know. You know, if it wasn't for the ITC case,
09:17:57 4 my guess is, no, because you know, patents serve a term
09:18:02 5 effect, and we don't want to, you know, pick fights where we
09:18:04 6 don't have to.

09:18:05 7 But the fact of the matter is it was important
09:18:10 8 enough for us to add to this litigation. We realized it's
09:18:13 9 got different infringement analysis and things. We realize
09:18:15 10 it's going to be an expense for us to fight it and it's
09:18:18 11 worth it for us, because otherwise, we have to live with
09:18:20 12 these look-alike products on the market for what could be
09:18:23 13 years, especially if the stay extends through the Federal
09:18:26 14 Circuit appeal. So this is important to us.

09:18:30 15 And just because the relative sales aren't huge,
09:18:34 16 the numbers are still pretty big, and it's important to RAB.
09:18:37 17 And I think we've cited some cases, Your Honor, including a
09:18:40 18 couple of your oral Orders which have considered that as a
09:18:43 19 factor in denying stays.

09:18:45 20 The next point I want to make, Your Honor, I
09:18:48 21 think this is subtle, but I think it's very important. The
09:18:52 22 more I look at the briefing from Cree and in preparing for
09:18:57 23 this argument, it appears to me that there's a plan here,
09:19:01 24 and the plan is there are two Defendants. You have Cree
09:19:05 25 Lighting and E-Conolight. And I think the plan is that Cree

09:19:11 1 Lighting is going to fight, fight, fight to invalidate these
09:19:14 2 patents in the IPR. Then they're going to come here in this
09:19:17 3 litigation and have their wholly-owned subsidiary
09:19:20 4 E-Conolight fight, fight, fight for invalidity here without
09:19:23 5 any restrictions from the IPR.

09:19:26 6 And the reason why I say that is the case, Your
09:19:30 7 Honor, is because if you read their briefs very carefully,
09:19:32 8 you'll see that every time they tell you you're going to get
09:19:36 9 this great simplification, they say, the Cree Lighting
09:19:41 10 validity defenses are going to be resolved. They never tell
09:19:44 11 you that E-Conolight's invalidity defenses are going to be
09:19:49 12 resolved.

09:19:50 13 THE COURT: But isn't there some IPR doctrine
09:19:53 14 that, I want to call it privity, that means what you're
09:19:55 15 hypothesizing --

09:19:57 16 MR. SIMPSON: Yes.

09:19:58 17 THE COURT: -- is prohibited?

09:19:59 18 MR. SIMPSON: Well, yes, and that's referred to
09:20:01 19 as real party in interest in the inter partes review
09:20:06 20 proceeding. And if you go back and look at those petitions,
09:20:09 21 they do not identify E-Conolight as a real party in
09:20:11 22 interest. They're a wholly-owned subsidiary, and they don't
09:20:14 23 identify it as a real party in interest.

09:20:17 24 So I'm pretty confident, Your Honor, from what
09:20:20 25 I'm reading and how carefully they phrase this

09:20:23 1 simplification issue in their briefs that they have every
09:20:26 2 intention of having E-Conolight, their wholly-owned
09:20:29 3 subsidiary, come in here and argue unrestricted based on the
09:20:35 4 IPR.

09:20:36 5 Now, don't get me wrong, Your Honor. I don't
09:20:37 6 think they should be able to do that, and I will fight hard
09:20:40 7 to say they can't do that, but that's the plan. And if
09:20:44 8 that's the plan, then that impacts two big issues here.

09:20:48 9 One is simplification, because when they tell
09:20:50 10 you that you're going to get simplification on the validity
09:20:53 11 issues, that's a fallacy. You're not going to get any
09:20:57 12 simplification on the issues because E-Conolight is going to
09:20:59 13 do everything that Cree Lighting would have done any way.

09:21:03 14 And it's also important on the prejudice issue
09:21:06 15 for RAB, and the reason I say that is because we're going to
09:21:10 16 then have to fight the exact same prior art in the IPR and
09:21:14 17 then come in here and do it all again in front of the jury.
09:21:17 18 So that's a really big issue, Your Honor. And their briefs
09:21:22 19 do not come out and say that E-Conolight is reserving its
09:21:25 20 right to make all these validity arguments, but that's the
09:21:29 21 way I understand it. And Mr. Smith will correct me if I'm
09:21:32 22 wrong I'm sure. That's a really important point. And it
09:21:35 23 isn't laid out specifically in our briefing, either party's
09:21:41 24 briefing because it wasn't -- they didn't mention it
09:21:44 25 specifically for E-Conolight.

09:21:45 1 Let me --

09:21:47 2 THE COURT: And did you mention it specifically?

09:21:49 3 MR. SIMPSON: No, Your Honor, I didn't, and
09:21:51 4 frankly, because it didn't occur to me. You know, their
09:21:54 5 briefs don't say E-Conolight is going to preserve their
09:21:57 6 invalidity positions. Their briefs only say that when they
09:22:02 7 talk about simplification with validity, that they limit it
09:22:07 8 to Cree Lighting. And it's subtle. It's easy to skip over.

09:22:12 9 And so when I started preparing for this
09:22:14 10 argument, and I read the reply brief which says the same
09:22:17 11 thing, again, it's like, wait a second. Then I went back to
09:22:21 12 the petitions and they don't add E-Conolight as a real party
09:22:24 13 in interest. You put two and two together and figure out
09:22:27 14 what their plan is here.

09:22:29 15 And I hope I'm not, you know, misspeaking here,
09:22:33 16 Mr. Smith will correct me if I'm wrong, but I think that's
09:22:36 17 the plan. So --

09:22:38 18 THE COURT: All right. I get your point and
09:22:41 19 I'll ask Mr. Smith about that in a minute.

09:22:43 20 What else?

09:22:44 21 MR. SIMPSON: Okay. So one other point is on
09:22:48 22 these institution decisions, Your Honor, we didn't get a
09:22:50 23 chance to have any briefing on that. And I don't want to
09:22:54 24 get too deep into the weeds here, but if you look at those
09:22:58 25 institution decisions, there's basically one claim term at

09:23:01 1 issue in each IPR. And for the infringement case, which is
09:23:06 2 going to be in this court, it doesn't matter how much it
09:23:10 3 comes out, either one of them. It doesn't make any
09:23:12 4 difference because Cree is going to infringe either way.

09:23:14 5 So Cree makes these general statements that,
09:23:17 6 hey, you know, you're going to get some simplification and
09:23:20 7 you're going to get the guidance from the PTAB, but it's not
09:23:24 8 going to be on any claim terms --

09:23:25 9 THE COURT: Yeah, you know, most of these, the
09:23:26 10 point that occurs -- you know, I'd be surprised if in the
09:23:33 11 last half dozen years, I've relied on that as a basis to
09:23:38 12 grant the stay. You know, the main point of simplification
09:23:43 13 is the invalidity.

09:23:44 14 MR. SIMPSON: Right, I understand. Well, let me
09:23:46 15 address that point just for a moment then, too, because that
09:23:49 16 also gets into the substance of the IPRs. And I'm not --

09:23:51 17 THE COURT: No, No. Let's not get into the
09:23:53 18 substance of the IPRs --

09:23:53 19 MR. SIMPSON: Okay.

09:23:54 20 THE COURT: -- because I'm not in a position to,
09:23:56 21 and I don't at least analyze the IPRs. They instituted.
09:24:01 22 That's the end of my --

09:24:03 23 MR. SIMPSON: Okay. Understood. Understood.

09:24:05 24 So let me address the competitor issue, if I
09:24:07 25 might. And I sense some frustration for Your Honor, and I

09:24:10 1 understand that because there's a lot of he-said-she-said.

09:24:13 2 THE COURT: Well, you know, I wouldn't say
09:24:15 3 frustration because I've seen it before where I have people
09:24:19 4 in front of me disputing whether they're competitors. And
09:24:24 5 you know, I mean, I understand there are lots of things that
09:24:28 6 can be disputed, but that just doesn't seem like it should
09:24:34 7 be one of them.

09:24:35 8 MR. SIMPSON: I understand, Your Honor. The
09:24:36 9 first point I want to make about this, usually when the
09:24:39 10 competitor issue is not an issue, you're talking about a
09:24:42 11 non-practicing entity, and that's then, obviously --

09:24:44 12 THE COURT: Well, no. I mean, if Verizon and
09:24:47 13 Sprint show up here, as they sometimes do, you know, they're
09:24:51 14 not saying -- well, I guess Mr. Kraftschik knows this.
09:24:54 15 They're not saying, Well, we're not competitors. You know,
09:24:57 16 they know they're competitors.

09:24:59 17 MR. SIMPSON: Yeah.

09:24:59 18 THE COURT: But in any event, go ahead.

09:25:03 19 MR. SIMPSON: I understand. But the facts, just
09:25:05 20 look at the facts, Your Honor, and decide for yourself. The
09:25:07 21 facts are -- we've got Mr. Barna, who's our CEO, this quote
09:25:12 22 that led to this whole dispute is on Page 9 of our
09:25:14 23 opposition.

09:25:15 24 And this is what he says, he says, "Similar
09:25:18 25 product portfolios in the same way," and he says that "we go

09:25:22 1 to market differently. We sell exclusively to electrical
09:25:26 2 distributors. Cree pursues what I would call an omnichannel
09:25:31 3 strategy. I guess another way of saying that is they sell
09:25:33 4 to anybody anywhere. If Cree sells to anybody anywhere,
09:25:37 5 then they're selling to distributors, and therefore, they're
09:25:39 6 a direct competitor."

09:25:41 7 In my mind, there's just no doubt about that.
09:25:43 8 And if you have any doubt about it, Your Honor, then Cree
09:25:46 9 themselves in the ITC, their exact words are "they sell like
09:25:50 10 and competitive products to RAB," and we've got that on
09:25:54 11 Page 9.

09:25:54 12 So they're competitors. And both parties agree
09:25:57 13 and the case law supports that when you have competitors,
09:26:03 14 Courts hesitate to grant stays when they're direct
09:26:05 15 competitors. And I think that's important here, Your Honor.

09:26:09 16 Just one other quick point about the competitor
09:26:12 17 point. Mr. Smith raised, hey, there's all these other
09:26:16 18 competitors out there in the market, so how can this
09:26:19 19 possibly be a big deal? Well, I can't see how that's
09:26:22 20 relevant, Your Honor, because we're not disputing that there
09:26:26 21 are other competitors generally in the LED space out there.
09:26:29 22 That's not the issue.

09:26:30 23 The case is about very specific design products,
09:26:33 24 the bullet design, for example. The question is if that is
09:26:37 25 going to be relevant at all. Are there any other

09:26:39 1 competitors out there selling those products and those
09:26:41 2 specific designs, because that's what the competition is
09:26:44 3 about in this case. And so I think the whole like, hey,
09:26:48 4 there are other competitors kind of misses the mark.

09:26:51 5 And just let me close on one point, Your Honor.
09:26:56 6 The cases say you should look at the totality of the
09:26:59 7 circumstances. And admittedly, I think this is perhaps a
09:27:03 8 case of first impression, but the totality of the
09:27:05 9 circumstances here, I think, should include beyond this
09:27:09 10 case. You know, that Cree has brought an ITC case against
09:27:12 11 us and, as is the nature of ITC cases, it's moving at light
09:27:16 12 speed. I don't need to tell you that one of the primary
09:27:21 13 purposes of patent rights, especially for companies that
09:27:24 14 aren't non-practicing entities that make their products, one
09:27:27 15 of the primary benefits of patents is deterrence. It's
09:27:31 16 deterrence.

09:27:32 17 Why doesn't competitor A sue competitor B?
09:27:35 18 Because they're going to get countersued. And what Cree is
09:27:40 19 asking you to do here, Your Honor, is in the middle of this
09:27:43 20 war, in the heat of the battle, take away our sword. This
09:27:47 21 is a big advantage for RAB in this matter to have a present
09:27:54 22 current claim against Cree. And it might, who knows, help
09:28:00 23 us to find a way to resolve this. But I think that that's
09:28:04 24 part of the totality of the circumstances, and it is
09:28:06 25 prejudice to RAB, Your Honor, if it's taken away from us at

09:28:11 1 this time.

09:28:11 2 So unless you have further questions, Your

09:28:13 3 Honor, I --

09:28:14 4 THE COURT: So is RAB Lighting privately owned,
09:28:20 5 or is it part of a public company or is it a public company?

09:28:25 6 MR. SIMPSON: Privately owned. I hope I'm not
09:28:27 7 misspeaking there, Your Honor, but I believe it's privately
09:28:29 8 owned.

09:28:30 9 THE COURT: All right. Thank you.

09:28:31 10 MR. SIMPSON: Thank you.

09:28:33 11 THE COURT: So Mr. Smith --

09:28:35 12 MR. SMITH: Yes, Your Honor.

09:28:36 13 THE COURT: -- are you being sneaky here?

09:28:39 14 MR. SMITH: I think not. To the extent it says
09:28:46 15 on the brief Cree Lighting, I think in the first line of
09:28:49 16 each brief it's defined the term Cree Lighting as these two
09:28:53 17 Defendants. So any suggestion that we've been sneaky in how
09:28:56 18 we define the term Cree Lighting just --

09:28:59 19 THE COURT: Yeah, yeah, I see that.

09:29:00 20 MR. SMITH: So --

09:29:01 21 THE COURT: Well, so maybe we can just cut to
09:29:04 22 the chase here, and I assume you're in a position to say
09:29:10 23 this, one way or the other, but if the IPR goes in favor of
09:29:18 24 RAB, is every Defendant in this case going to be estopped on
09:29:23 25 102 and 103 to the extent that the law says whoever brings

09:29:28 1 the claim in the IPR who filed the petition is?

09:29:32 2 MR. SMITH: Your Honor, my understanding,
09:29:33 3 standing here today, is that the estoppel would apply to
09:29:36 4 both Defendants. Now, I would have appreciated having this
09:29:39 5 issued raised in the briefing so I'm not on the fly here
09:29:44 6 being accused of a sneaky plan, as Your Honor called it, or
09:29:47 7 having to prove a negative that I don't have a sneaky plan
09:29:49 8 that I don't know about. So it's, frankly, a little unfair
09:29:52 9 for the first time to be asked or posed that question from
09:29:56 10 the other side at oral argument.

09:29:57 11 My understanding is it is a wholly-owned
09:30:00 12 subsidiary. My understanding, though I'm not a PTAB expert,
09:30:02 13 is that a wholly-owned subsidiary in this circumstance would
09:30:05 14 be considered a real party in interest, yes.

09:30:07 15 THE COURT: All right.

09:30:11 16 MR. SMITH: I had a couple other points, Your
09:30:13 17 Honor.

09:30:13 18 THE COURT: Okay. Go ahead.

09:30:15 19 MR. SMITH: In terms of the pre-suit notice of
09:30:16 20 the Complaint, no notice from RAB in advance of the
09:30:19 21 Complaint.

09:30:19 22 THE COURT: Yeah, I think Mr. -- I mean, I think
09:30:21 23 that's consistent with what Mr. Simpson said.

09:30:24 24 MR. SMITH: The design patent, we're going to
09:30:26 25 vigorously contest that. We're not suggesting, you know,

09:30:28 1 we're going to roll over and it's going to admit, oh, we're
09:30:31 2 copying their -- no, it's not infringed, and it's not valid,
09:30:33 3 and we'll contest that in this case.

09:30:35 4 THE COURT: Yeah, I didn't take you to be
09:30:37 5 conceding on that one.

09:30:38 6 MR. SMITH: In terms of what Mr. Barna said,
09:30:40 7 yeah, he sort of equivocates. He's the CEO.

09:30:43 8 THE COURT: Right. Right. I'm sorry, I was --

09:30:43 9 MR. SMITH: The question posed to him was: "Do
09:30:45 10 you consider Cree Lighting to be a competitor?"

09:30:48 11 "Answer: Not particularly."

09:30:50 12 Now, he goes on and qualifies it, but his first
09:30:53 13 instinct when posed: Is Cree your competitor, he says, "Not
09:30:55 14 particularly." Now, granted, they're lighting companies,
09:30:57 15 and that's why I didn't want to get into the
09:31:01 16 he-said-she-said or he-said-he-said on that. The fact is
09:31:03 17 that if they are not going to market in the same way, the
09:31:06 18 harm to their goodwill and to their market share is going to
09:31:09 19 not be the same if it was a two-player market or if we were
09:31:12 20 going to the same customers in the same way. That's the
09:31:15 21 point there.

09:31:15 22 On the ITC case briefly, that's on our patents,
09:31:22 23 their products, but it's a different case. And we chose to
09:31:25 24 go to the ITC. If they had a basis to go to the ITC, they
09:31:30 25 could have.

09:31:30 1 THE COURT: I take it a lot of their products
09:31:32 2 are imported from somewhere else?

09:31:34 3 MR. SMITH: I'm not involved in the ITC case,
09:31:36 4 but yes, by force of the factors and ITC litigation, to the
09:31:40 5 extent there's litigation there, yes, it would be an
09:31:42 6 importation issue.

09:31:43 7 THE COURT: Do you know, are your products
09:31:45 8 primarily imported from somewhere, or are they primarily
09:31:48 9 made in the U.S., or you don't know?

09:31:50 10 MR. SMITH: I don't know, Your Honor. I know we
09:31:51 11 do have suppliers, of course, but I don't know from where
09:31:54 12 they come. But that's -- you know, they made a tactical
09:31:56 13 decision to file a Delaware District Court litigation here
09:32:00 14 on certain patents that, for better or worse, were
09:32:05 15 susceptible to a PTAB institution. That's their decision.
09:32:09 16 That's the issue before the Court.

09:32:11 17 The ITC cases before the ITC, that's a different
09:32:14 18 case. And yes, there's some dynamic between the parties,
09:32:16 19 but I think Your Honor has jurisdiction here to deal with
09:32:19 20 the stay on these patents.

09:32:21 21 But other than that, I didn't have anything else
09:32:23 22 to add, Your Honor.

09:32:24 23 THE COURT: All right. Thank you, Mr. Smith.

09:32:58 24 All right. So I'm going to state my opinion
09:33:11 25 here, but one thing that I am going to request is that

09:33:19 1 before I sign any Order is that Mr. Smith consult with his
09:33:27 2 client and his perhaps attorneys from out of town who are on
09:33:38 3 the briefing, and basically submit a letter confirming that
09:33:47 4 E-Conolight is fully bound by whatever happens in the IPR as
09:33:58 5 Cree is.

09:34:03 6 All right, Mr. Smith?

09:34:04 7 MR. SMITH: Understood, Your Honor. Thank you.

09:34:05 8 THE COURT: Okay. So on the assumption that the
09:34:09 9 letter is going to say what I think it's going to say, which
09:34:12 10 is that they are fully bound, I'm going to grant the stay.
09:34:19 11 You know, we understand there are two utility patents and
09:34:25 12 they're fully instituted in terms of the IPR process.
09:34:31 13 There's a design patent which is pretty separate and which
09:34:44 14 is the tail on the dog here. And so the IPR process will
09:34:59 15 simplify the issues for trial.

09:35:03 16 My only question is: How much? They should
09:35:07 17 result in basically removing anticipation and obviousness as
09:35:14 18 trial issues. And of course, it's possible that some of the
09:35:20 19 claims will be invalidated or even all of the claims of the
09:35:24 20 two utility patents, in which case that will simplify the
09:35:29 21 trial. But one way or another, it's going to simplify the
09:35:34 22 issues for trial because either there won't be one or it
09:35:37 23 won't have obviousness and anticipation as a part of it.

09:35:41 24 As I said, I'm not real confident that there
09:35:46 25 will be much simplification otherwise or that simplification

09:35:51 1 otherwise is likely, because I don't really expect what the
09:35:56 2 PTAB does to help on infringement. But I think that in
09:36:00 3 terms of weighing the factor, the invalidity simplification
09:36:12 4 pretty strongly supports granting the stay.

09:36:15 5 The second factor I consider is whether
09:36:17 6 discovery is complete and a trial date is set. And as
09:36:23 7 counsel have pretty much agreed and as the docket reflects,
09:36:29 8 there has been paper discovery. There have been the
09:36:31 9 preliminary steps in a patent case. We have a Scheduling
09:36:36 10 Order. We have the motion to amend the Complaint.

09:36:41 11 So in any event, discovery has started, but the
09:36:45 12 case is pretty early. The Markman exchanges, which are just
09:36:53 13 starting, I can't remember, I think maybe they were
09:36:57 14 postponed pending this hearing. Let me check that.

09:37:12 15 MR. SMITH: Your Honor, they were postponed, but
09:37:14 16 not necessarily because of the hearing. There is an
09:37:16 17 exchange date tomorrow on the proposed constructions.

09:37:19 18 THE COURT: Oh, okay. I couldn't remember. I
09:37:22 19 had some case where I thought I had stayed something or
09:37:28 20 postponed something pending, but maybe it was a different
09:37:31 21 case and a different decision. In any event, the Markman is
09:37:35 22 at the very beginning, and so we're a long ways from expert
09:37:41 23 discovery, summary judgments, and there is a trial date set,
09:37:46 24 because that's our usual practice to set a trial date at the
09:37:49 25 beginning of the case. But considering the trial date is

09:37:52 1 set for 2023, that doesn't really significantly help
09:37:59 2 Plaintiff here. So basically the status of the case also
09:38:05 3 supports granting the stay.

09:38:07 4 And then the third thing that I consider is
09:38:10 5 whether granting a stay would cause the non-moving party,
09:38:13 6 the Plaintiff, to suffer undue prejudice from any delay or
09:38:16 7 to create a tactical disadvantage to the non-moving party.
09:38:21 8 And so some of my colleagues in the past have suggested
09:38:27 9 various things to consider in regards to this. The timing
09:38:33 10 of the motion to the IPR, the timing of the motion for the
09:38:35 11 stay, the competitor status, and to some extent the status
09:38:40 12 of the IPR, though, that's kind of a factor when the motion
09:38:47 13 was filed or when the petition was filed and when it was
09:38:50 14 instituted.

09:38:50 15 But the timing of motions for re-exam -- I'm
09:38:54 16 sorry, for IPR and the timing of the motion for stay, and I
09:38:59 17 don't think Plaintiff disagrees with this, they're both very
09:39:03 18 timely. Right. The case was filed in November of 2020, and
09:39:22 19 here it is 11 months later. The institution portion takes
09:39:29 20 six months.

09:39:31 21 And so this all happened pretty much as quickly
09:39:36 22 as it can. You know, competitor status, I think they are
09:39:46 23 competitors. I think the parties are competitors. You
09:39:51 24 know, they may not be head-to-head competitors in the
09:39:55 25 two-player market, but I think they sell products that an

09:40:06 1 ultimate consumer could interchange from one or the other.
09:40:09 2 The fact that they may have different marketing or, you
09:40:14 3 know, distribution channels, I don't think that makes them
09:40:16 4 non-competitors.

09:40:20 5 And as I said, the IPR is just beginning, but we
09:40:25 6 know that it will be -- that there will be a decision, I
09:40:29 7 guess, approximately 11 months from now. And so, you know,
09:40:39 8 generally speaking, this is a little more mixed. I don't
09:40:45 9 really think the fact that there's an ITC proceeding against
09:40:53 10 or brought by Cree against RAB is the sort of prejudice that
09:41:08 11 is probably what's had in mind here. I'm not really sure
09:41:15 12 that -- I think that I ought to be analyzing whether the
09:41:22 13 litigation here is a counterweight to litigation somewhere
09:41:25 14 else.

09:41:30 15 And to the extent there is a tactical
09:41:33 16 disadvantage created, it's basically the product of the
09:41:38 17 institution decision, because after all, if the institution
09:41:42 18 decision had been denied, we wouldn't be here. And the
09:41:45 19 institution decision, you know, at least means that the PTAB
09:41:48 20 thought there was -- I mean, I have the exact language here.
09:41:53 21 A substantial question about the invalidity of the patents.

09:42:00 22 So I don't think there's any significant --
09:42:05 23 there's any undue prejudice, and so that, maybe not as
09:42:15 24 strongly as the other two, but that, also, I think, on
09:42:20 25 balance supports granting the stay.

09:42:29 1 You know, one of the things that's different
09:42:31 2 about this case than most cases is the unrelated,
09:42:39 3 essentially unrelated design patent and the products that,
09:42:51 4 so far as I know, are a dollar volume, a small portion of
09:42:56 5 this case and are really pretty separate. And I guess the
09:43:13 6 point is that whatever the PTAB decides, it's not really
09:43:18 7 going to impact the lighting product. I'm sorry, the design
09:43:24 8 patent case.

09:43:30 9 And I certainly understand whether or not the
09:43:32 10 design patent case is a good case or a bad case, that's
09:43:36 11 disputed by the parties. But when I look at the case with
09:43:48 12 the three patents, the overall simplification that's going
09:43:51 13 to be obtained by reducing the arguments about the dog in
09:43:57 14 the case, it means that I should grant the stay.

09:44:04 15 So what I'd like is, Mr. Smith, if when you
09:44:10 16 submit the letter, you'd also submit a Proposed Order that
09:44:14 17 just, you know, one line grants the stay. That will make
09:44:19 18 sure that I actually sign an order. Okay?

09:44:22 19 MR. SMITH: Understood, Your Honor.

09:44:24 20 THE COURT: All right. Mr. Simpson, nice to
09:44:26 21 meet you. Thank you for coming. We'll be in recess.

09:44:29 22 (Everyone said, Thank you, Your Honor.)

09:44:31 23 DEPUTY CLERK: All rise.

24 (Court was recessed at 9:44 a.m.)

25 I hereby certify the foregoing is a true and

1 accurate transcript from my stenographic notes in the
2 proceeding.

3 /s/ Heather M. Triozzi
4 Certified Merit and Real-Time Reporter
U.S. District Court

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